

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Rever Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* MILTON TOWNSHIP	County* CASS	Type* TOWNSHIP	MuniCode* 14-1-070
Opinion Date-Use Calendar* Aug 15, 2008	Audit Submitted-Use Calendar* Sep 12, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have deposits/investments that are not reserved fund balance or restricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is the unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Do the local unit's expenditures for revenue that were collected for another taxing unit (if any) was required by the general property law?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Have the local unit's expenditures for authorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix B) or during the audit?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Have the local unit's prior reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Is the local unit in compliance with GASB 34 or the generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. In your knowledge, were the policies, procedures, and laws reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 412,171.00
General Fund Expenditure:	\$ 388,759.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,050,990.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MICHAEL	Last Name* LAYHER	Ten Digit License Number* 1101021500		
CPA Street Address* 805 VAN BRUNT	City* ST. JOSEPH	State* MI	Zip Code* 49085	Telephone* +1 (269) 983-0131
CPA Firm Name* SCHAFFER & LAYHER, PLLC	Unit's Street Address* 2576 BERTRAND ROAD	Unit's City* NILES	Unit's Zip* 49120	

MILTON TOWNSHIP
CASS COUNTY, MICHIGAN

FINANCIAL STATEMENT

March 31, 2008

**MILTON TOWNSHIP
TOWNSHIP BOARD MEMBERS
MARCH 31, 2008**

ELECTED OFFICIALS

Richard Gerbeth	Supervisor
Jacqueline Boggs	Clerk
Linda De Broka	Treasurer
Sharon Ward	Trustee
Robert Harvey	Trustee

APPOINTED OFFICIALS

Ken Thompson	Planning Commission Chairman
Douglas Brousseau	Assessor
Dan Kulwicki	Building Inspector
Johnny Hamilton	Electrical Inspector
David Swanstrom	Mechanical Inspector
Ed Wainwright	Plumbing Inspector

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INDEPENDENT AUDITOR'S REPORT

To the Township Board of
Milton Township, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Milton Township, Michigan (the "Township"), as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Milton Township Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of Milton Township, Michigan as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 23 are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Schaffer & Layher". The script is cursive and fluid.

Schaffer & Layher
St. Joseph, Michigan
August 15, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

- The assets of Milton Township exceeded its liabilities at the close of the most recent fiscal year by \$1,142,825 (*net assets*). Of this amount \$1,050,990 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental activities reported combined ending net assets of \$1,142,825, a current year increase of \$21,800. Approximately 92% of the total amount is available for spending at the Township's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year unreserved fund balance for the general fund was \$1,050,990, or 270 percent of total general fund expenditures.
- The Township has no debt for the current fiscal year.

Overview of the Financial Statements

This report consists of three parts---*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Milton Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and community & economic development.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

Fund Financial Statements, Concluded

- Some funds are required by State law and by bond covenants.
- The Township Board can establish other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants.

The Township has the following two kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net assets were \$1,142,285. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	
	2008	2007
Current Assets	\$ 1,051,082	\$ 1,027,672
Capital Assets	91,835	93,447
Total Assets	\$ 1,142,917	\$ 1,121,119
Deferred Revenue	\$ 92	\$ 94
Total Liabilities	\$ 92	\$ 94
Net Assets		
Invested in capital assets, net of related debt	\$ 91,835	\$ 93,447
Unrestricted	1,050,990	1,027,578
Total Net Assets	\$ 1,142,825	\$ 1,121,025

The part of net assets that can be used to finance day to day operations has increased by \$21,800 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$1,050,990, or about 270 percent of fiscal 2008 expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations.

Financial Analysis of the Township as a Whole, Concluded

The following table shows the changes of the net assets for 2008 and 2007:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 73,917	\$ 82,199
Operating Grants and Contributions	949	3,983
General Revenues		
Taxes	91,336	83,931
State Revenue Sharing	182,045	183,426
Interest	37,716	45,572
Other Revenues	26,208	30,033
Total Revenues	<u>\$ 412,171</u>	<u>\$ 429,144</u>
Program Expenses		
General Government	\$ 164,793	\$ 164,763
Public Safety	134,116	153,466
Public Works	44,590	17,641
Community & Economic Development	23,572	14,829
Other	21,688	18,092
Depreciation	1,612	1,612
Total Expenses	<u>\$ 390,371</u>	<u>\$ 370,403</u>
Change in Net Assets	<u>\$ 21,800</u>	<u>\$ 58,741</u>

For the most part, expenses are closely paralleling inflation and growth in demand for services. One noteworthy exception, however, is increasing contracted costs for public work.

Governmental Activities

The Township's total governmental revenues decreased by approximately \$16,900 and expenses increased by approximately \$19,900 during the year. This expense increase was primarily the result of increased road work and expenses.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2008 included the General Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, and other. The most significant is fire, which incurred expenses of approximately \$83,543 in 2008. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not amend the budget to take into account events during the year.

Capital Asset and Debt Administration

As of March 31, 2008, the Township had investment in capital assets for its governmental activities of \$91,835 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Cass County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Economic Factors and Next Year's Budgets and Rates

The Township's anticipates revenue over expenditures in the governmental activities next year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 429,576
Investments	557,879
Taxes Receivable	8,411
Receivables, Net	323
Due From Fiduciary Funds	4,171
Prepaid Expenses	50,722
Capital Assets, Net	91,835
Total Assets	<u>\$ 1,142,917</u>
Liabilities	
Deferred Revenue	<u>\$ 92</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 91,835
Unrestricted	1,050,990
Total Net Assets	<u>\$ 1,142,825</u>
Total Liabilities and Net Assets	<u>\$ 1,142,917</u>

The notes to the financial statements are an integral part of these statements.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary Government				
<i>Governmental Activities</i>				
General Government	\$ 164,793	\$ -	\$ 949	\$ (163,844)
Public Safety	134,116	73,917	-	(60,199)
Public Works	44,590	-	-	(44,590)
Community & Economic Development	23,572	-	-	(23,572)
Other	21,688	-	-	(21,688)
Depreciation	1,612	-	-	(1,612)
Total Governmental Activities	<u>\$ 390,371</u>	<u>\$ 73,917</u>	<u>\$ 949</u>	<u>\$ (315,505)</u>
General Revenues				
Taxes				\$ 91,336
State				182,045
Interest				37,716
Other Revenues				26,208
Total General Revenues				<u>\$ 337,305</u>
Change in Net Assets				\$ 21,800
Net Assets-Beginning				<u>1,121,025</u>
Net Assets-Ending				<u><u>\$ 1,142,825</u></u>

The notes to the financial statements are an integral part of these statements.

MILTON TOWNSHIP**GOVERNMENTAL FUND BALANCE SHEET
March 31, 2008**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 429,576	\$ -	\$ 429,576
Investments	557,879	-	557,879
Taxes Receivable	8,411	-	8,411
Receivables, net	323	-	323
Prepaid Expenses	50,722	-	50,722
Due from Fiduciary Funds	4,171	-	4,171
Total Assets	<u>\$ 1,051,082</u>	<u>\$ -</u>	<u>\$ 1,051,082</u>
Liabilities and Fund Equity			
Liabilities			
Deferred Revenue	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 92</u>
Fund Balance			
Unreserved:			
Undesignated	\$ 823,872	\$ -	\$ 823,872
Designated (Next Year Budget Deficit)	176,396	-	176,396
Designated (Prepaid Expenses)	50,722	-	50,722
Total Fund Equity	<u>\$ 1,050,990</u>	<u>\$ -</u>	<u>\$ 1,050,990</u>
Total Liabilities and Fund Equity	<u>\$ 1,051,082</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
* Capital assets used in governmental activities are not financial resources and are not reported in the funds			91,835
Net Assets of Governmental Activities			<u>\$ 1,142,825</u>

The notes to the financial statements are an integral part of these statements.

MILTON TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended March 31, 2008**

	General <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Taxes	\$ 91,336	\$ -	\$ 91,336
Licenses and Permits	51,077	-	51,077
State	182,045	-	182,045
Contributions From Local Units	949	-	949
Charges for Services	22,840	-	22,840
Interest and Rents	37,716	-	37,716
Other Revenue	26,208	-	26,208
	<u>\$ 412,171</u>	<u>\$ -</u>	<u>\$ 412,171</u>
Expenditures			
Current			
General Government	\$ 164,793	\$ -	\$ 164,793
Public Safety	134,116	-	134,116
Public Works	44,590	-	44,590
Community & Economic Development	23,572	-	23,572
Other	21,688	-	21,688
Total Expenditures	<u>\$ 388,759</u>	<u>\$ -</u>	<u>\$ 388,759</u>
Excess of Revenues Over Expenditures	<u>\$ 23,412</u>	<u>\$ -</u>	<u>\$ 23,412</u>
Other Financing Sources(Uses)			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenue and Other Sources Over Expenditures and Other Sources(Uses)	<u>\$ 23,412</u>	<u>\$ -</u>	<u>\$ 23,412</u>
Fund Balance-April 1, 2007	1,027,578	-	
Fund Balance-March 31, 2008	<u>\$ 1,050,990</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Change in Net Assets of Governmental Activities

(1,612)
\$ 21,800

The notes to the financial statements are an integral part of these statements.

**FIDUCIARY FUND – STATEMENT OF NET ASSETS
March 31, 2008**

	Trust & Agency Fund
Assets	
Cash and Cash Equivalents	\$ 45,629
Total Assets	<u>\$ 45,629</u>
Liabilities	
Due to Other Governmental Funds:	
General Fund	\$ 4,171
Due to Other Governmental Units	<u>41,458</u>
Total Liabilities	<u>\$ 45,629</u>

The notes to the financial statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Milton Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (“Board”). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under G.A.S.B. #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2008.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at March 31, 2008.

Jointly Governed Organization—The Township is a member of the Edwardsburg Fire Board, along with Ontwa and Jefferson Townships. Each of the Townships appoints two members and one at-large appointment who have full responsibility for management and operation of the Edwardsburg Fire Department and approval of the annual budget. Financial information may be obtained from the Village of Edwardsburg offices.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, concluded**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2007 ad valorem tax is levied and collectible on December 1st, 2007 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Township totaled approximately \$86 million, on which ad valorem taxes are levied which consisted of .8272 mills for the Township's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable—current or as tax revenue. The Township also charges a \$20 per household fee for ambulance services.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Receivables and Payables concluded—all trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets are included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Fund Equity, concluded--Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were no amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township did not incur expenditures in any budgeted funds which were in excess of the amounts appropriated.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2008, the Township's deposits and investments were reported in the financial statements in the following categories:

Bank Deposits:

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage.

	Governmental Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 429,576	\$ 429,576	\$ 45,629
Investments (C/D's > 90 days)	557,879	557,879	-
Total	<u>\$ 987,455</u>	<u>\$ 987,455</u>	<u>\$ 45,629</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts)	\$ 429,378	\$ 45,629
Certificates of Deposit > 90 days	557,879	-
Petty Cash and Cash on Hand	198	-
	<u>\$ 987,455</u>	<u>\$ 45,629</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$486,591 of the Township's bank balance of \$1,034,718 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
			1-5 years	6-10 years	More than 10
Certificate of Deposits	<u>\$ 557,879</u>	<u>\$ 557,879</u>	<u>\$ 557,879</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2008, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2008, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. DEFERRED REVENUE

The Township entered into a 99-year lease with the Cass County Road Commission (the "Commission") for \$1 a year. The Commission utilized Township property to build a garage for road machinery and equipment. The full amount was received by the Township and will be deferred until earned. They also have a 5-year lease with Tri-County Head Start ("Head Start") beginning September 1, 2003, with a renewal option, to allow a portable classroom on Township property. The total rental income for March 31, 2008 was \$2. The amount of deferred revenue for each lease is as follows:

Cass County	<u>\$92</u>
Deferred Revenue	<u>\$92</u>

NOTE 5. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Township's individual major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	Non-Major <u>Funds</u>	<u>Total</u>
Taxes Receivable	\$ 8,411	\$ -	\$ 8,411
Accounts	323	-	323
Less: Allowance for Uncollectible	-	-	-
Net Receivables	<u>\$ 8,734</u>	<u>\$ -</u>	<u>\$ 8,734</u>

Payables as of year-end for the Township's individual major and fiduciary funds, in the aggregate, are as follows:

	General <u>Fund</u>	Non-Major <u>Funds</u>	<u>Total</u>
Payables:			
No trade payables for the current fiscal year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Capital assets being depreciated				
Building and building improvements	<u>\$ 89,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,481</u>
Equipment	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Subtotal	<u>\$ 94,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,481</u>
Less: Accumulated Depreciation	<u>(26,034)</u>	<u>(1,612)</u>	<u>-</u>	<u>(27,646)</u>
Net Capital Assets Being Depreciated	<u>\$ 68,447</u>	<u>\$ (1,612)</u>	<u>\$ -</u>	<u>\$ 66,835</u>
Governmental activities total				
capital assets-net of depreciation	<u><u>\$ 93,447</u></u>	<u><u>\$ (1,612)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 91,835</u></u>

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter fund balances represents tax monies collected and to be paid to the general fund as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Fiduciary Fund	General Fund	\$ 4,171
Total		<u><u>\$ 4,171</u></u>

There were no current year transfers between funds.

NOTE 8. DESIGNATED NET ASSETS

The Township had no designated net assets.

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10. OPERATING LEASES

The Township did not have any operating or capital leases during the year

NOTE 11. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of building, electrical, plumbing, and mechanical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period April 1, 2007 to March 31, 2008
Revenues	\$ 51,077
Expenditures	27,333
Revenues over expenditures	<u><u>\$ 23,744</u></u>

NOTE 12. EMPLOYEE RETIREMENT PLAN

The Township provides pension benefits for all of its elected officials and other employees of the Township through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 6.2% of a participant's compensation, with the employee making a mandatory after-tax matching contribution of an additional 6.2%. In addition to the mandatory contributions, employees may make additional voluntary after-tax contributions ranging from one (1) to ten (10) percent of the participant's compensation.

The Township's required contribution for the fiscal year end March 31, 2008 was \$683.

REQUIRED SUPPLEMENTAL INFORMATION

MILTON TOWNSHIP**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
March 31, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 1,027,578	\$ 1,027,578	\$ 1,027,578	
Available for Appropriation (Inflows)				
Taxes	\$ -	\$ -	\$ 91,336	\$ 91,336
Licenses and Permits	66,000	66,000	51,077	(14,923)
State	180,000	180,000	182,045	2,045
Contributions from local units	6,000	6,000	949	(5,051)
Charges for Services	23,240	23,240	22,840	(400)
Interest and Rents	29,500	29,500	37,716	8,216
Other Revenue	10,000	10,000	26,208	16,208
Transfer In	-	-	-	-
Amounts Available for Appropriation	<u>\$ 314,740</u>	<u>\$ 314,740</u>	<u>\$ 412,171</u>	
Charges to Appropriations(Outflows)				
<i>General Government</i>				
Legislative	\$ 97,598	\$ 97,598	\$ 63,546	\$ 34,052
Chief Executive	17,390	17,390	13,829	3,561
Treasurer	26,152	26,152	25,487	665
Assessing Equalization	16,911	16,911	15,922	989
Clerk	18,990	18,990	16,960	2,030
Elections	8,843	8,843	2,924	5,919
Building and Grounds	35,389	35,389	26,125	9,264
<i>Public Safety</i>				
Fire	83,543	83,543	83,543	-
Building inspection & regulation activities	56,000	56,000	27,333	28,667
All other public safety activities	23,240	23,240	23,240	-
<i>Public Works</i>				
Road Commission/Street Dept.	44,590	44,590	44,590	-
<i>Community & Economic Development</i>				
Community planning and zoning	33,195	33,195	23,572	9,623
<i>Other</i>				
Fringes, benefits, FICA, insurance, etc...	25,700	25,700	21,688	4,012
Capital Outlay	35,357	35,357	-	35,357
Total Charges to Appropriations	<u>\$ 522,898</u>	<u>\$ 522,898</u>	<u>\$ 388,759</u>	
End of Year Fund Balance	<u>\$ 819,420</u>	<u>\$ 819,420</u>	<u>\$ 1,050,990</u>	



To the Board Members and Management
Of Milton Township

In planning and performing our audit of the financial statements of Milton Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Milton Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Preparation of Financial Statements

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Service rests with the Service's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Milton Township. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Segregation of Duties

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that the same individual who is responsible for preparing bank reconciliations makes bank deposits and maintains the computerized general ledger, including the preparation and recording of journal entries. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While a lack of appropriate segregation of duties is a common occurrence in small organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Board provide a greater review and supervision of accounting functions and procedures. We also recommend that in the future when the Township is adopting new or modifying existing financial policies that they consider the issue of fraud and assure that the policy discusses ways that will prevent, deter, and detect fraud within the area the policy is addressing.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are not material weaknesses.

Other Matters

In addition, we noted other matters involving the internal control and its operation that we would like to report to you.

Township Documents Should Be Mailed and Kept at Township Offices

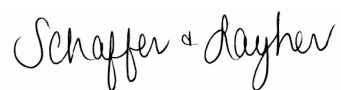
During our cash testing procedures, we noted some bank statements and certificate of deposit mailings were being mailed directly to the homes of the Township official. We recommend that all Township assets, including mail, be sent directly to the Township offices where they can be properly filed and stored.

Investment Policy

During the course of our audit it was noted that the Township has not updated its investment policy to address the reporting requirements of GASB Statement No. 40. GASB Statement No. 40 was designed to inform financial statement users about deposit and investment risks that could affect the Service's ability to provide services and meet its obligations as they become due.

We recommend the Board update their investment policy to address, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

This communication is intended solely for the information and use of management, the Board Members, and others within the Service, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan

August 15, 2008